

ATMOSPHERICS

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‘BIG’ GOVERNMENT SPENDING



Bottom Line Up Front:

- Government spending refers to the total expenditures made by a nation's government, encompassing areas like public services, infrastructure, welfare, defense, and education. In the largest economies worldwide, such as those in the G20, government spending plays a crucial role in influencing economic activity, addressing social needs, and investing in the future, with decisions on fiscal policies having significant global economic implications.
- Spending however, is inseparable from the need to be balanced with revenues and debt given the complexities of economic and social priorities. Governments must weigh immediate needs against long-term fiscal health, while also being mindful of how much debt is 'too much' debt for any given nation to bear.
- In the United States, the Congressional Budget Office (CBO) projects that by roughly 2050, the U.S. government's interest payments on its debt will become the single most expensive line item in the federal budget, surpassing all other mandatory and discretionary programs (e.g., defense, Medicare, Medicaid, Social Security).

INFORMATION



A view of the information space related to the topic of the week, based on headline frequency.

Government spending defined: Government spending encompasses the total expenditures a government makes within a fiscal year, covering areas like public servant salaries, defense, health, education, and others. It can be broadly categorized into recurrent spending for regular costs, capital spending on future-beneficial assets like infrastructure, and various transfers and subsidies, which include payments without a direct return, such as pensions and business support. Additionally, interest payments are made on any outstanding governmental debt.

Why this topic is important right now: The G20 Summit in New Delhi just concluded this week, and the U.S. (largest economy in the world) is on the eve of a new fiscal year. Additionally, the recently held Jackson Hole Economic Symposium has had a sustaining ripple effect on the topic of approaching fiscal vs monetary policy in today's environment. The emerging concern is that government's increased intervention of economic cycles (via fiscal policy) is creating a debt and cost burden too large to pay for. This growing trend is not isolated to the U.S., as it's a problem most G20 nations are facing. One common denominator across many of these countries is the heavy spending on defense, welfare, and 'green' transitions during a time of cost-of-living crises and high inflation.

A few things to consider: Public debt for G20 nations has soared since the financial crisis of 2008, while the cost to the government to pay that debt has risen sharply since the pandemic (to include the % of GDPs); Collectively, the G20 economies account for about 85% of the Gross World Product (GWP) and around 75% of international trade; How does such a large portion of the world's economy balance "spending for investment" during a time of mediocre economic growth?

TECHNOLOGY



“ Where the frontier of technology converges with the enormity of governmental budgets, we witness not merely the ebb and flow of currency, but the transformative tide of modern governance; we find the heartbeat of a modern state, spending not just with purpose, but with a vision for the ages. ”

- ChatGPT 2023

AI Generated Image

The intersection of government spending and technology is at the forefront of global discourse, redefining how governments operate, invest, and interact with their citizens. Historically, technology-driven projects funded by governments, from the internet's inception to highways, have served as catalysts for unprecedented societal progress. Now, technology's deep influence on government fiscal decisions heralds a transformative era in governance.

With surging investments in advanced financial software and data tools, governments are reimagining their spending strategies in a digitalized world. The potential to enhance budgetary efficiency, coupled with e-government initiatives, signals a shift towards more efficient and transparent public service delivery. This considerable outlay is not just about process improvement; it's about innovation. The exploration into blockchain, for instance, offers a promise of unalterable fiscal transparency. But as with all large-scale ventures, risks abound. Cybersecurity concerns are at the forefront, necessitating substantial capital to protect national financial data. Parallely, the push for green technologies, while addressing environmental challenges, also serves as an economic stimulant. Yet, as these massive tech-related expenditures rise, governments must critically assess not just immediate returns, but also the far-reaching societal and ethical impacts.

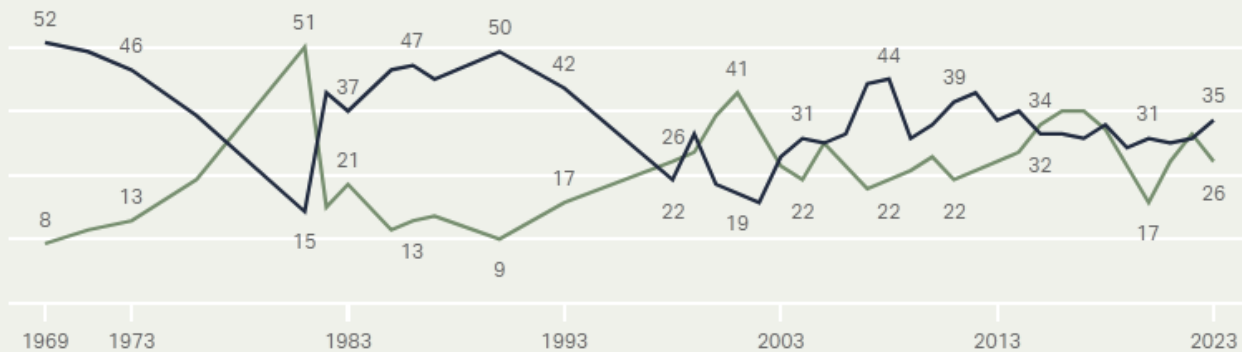
From an operational vantage, technological advancements are revolutionizing governmental financial mechanisms. Real-time budgetary tools, predictive fiscal analytics, and a range of digital services are trimming overheads and amplifying efficiency. As blockchain assures transparent expenditure, AI and automation hold the promise of process optimization. However, the expansion of the digital domain brings the escalating necessity of cybersecurity to the fore, underscoring the imperatives of data protection and integrity. As the G20 nations navigate the complexities of economic progression, their success hinges on striking a harmonious balance between technological expenditure and prudent investment.

SENTIMENT

Views of U.S. Defense Spending, Yearly Averages

There is much discussion as to the amount of money the government in Washington should spend for national defense and military purposes. How do you feel about this? Do you think we are spending too little, about the right amount or too much?

— % Too little — % Too much



Percent "about right" not shown

GALLUP

Government Spending in the U.S. and public sentiment varies significantly based on individual beliefs, political affiliations and personal experiences. Here are the sentiments associated with government spending topics in America:

Healthcare: Healthcare remains a divisive topic in America. Advocates for greater government intervention to ensure universal access, while others support free market solutions with limited government involvement.

Education: While support exists for investing in education, discussions on how government funding should be distributed among schools or the appropriate level of federal participation.

Defense and Security: Opinions on defense spending vary widely. US sentiment shows that some believe it's essential for national security while others advocate reducing military expenditure and reallocating funds toward other priorities like healthcare.

Infrastructure Investment: Infrastructure investments tend to receive bipartisan support, yet debates arise regarding how best to fund and prioritize them

Taxes: Opinions about taxes are divided; while many advocate for higher taxes on wealthy individuals to fund social programs, others favor lower taxes to spur economic development.

Public Safety and Law Enforcement: Discussions surrounding law enforcement spark sentiment over police reform, racial justice and community safety; with differing opinions held regarding appropriate funding levels and oversight arrangements.

Government Debt and Fiscal Policy: There are differing opinions regarding how best to approach government debt, with sentiment favoring fiscal austerity while others advocate targeted government spending to spur economic development.

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